

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail & First-Class Package Service
Contract 52 (MC2017-174)
Negotiated Service Agreement

Docket No. CP2017-275

PUBLIC REPRESENTATIVE COMMENTS ON USPS NOTICE OF AMENDMENT TO
PRIORITY MAIL & FIRST-CLASS PACKAGE SERVICE CONTRACT 52
(December 19, 2017)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission's notice initiating these dockets.¹ In that notice, the Commission established the above-referenced docket to consider matters from interested persons, including the undersigned Public Representative, on the Postal Service's intent to amend Priority Mail & First-Class Package Service Contract 52 (Contract) on the grounds that the amended Contract continues to meet the requirements of 39 U.S.C. § 3633.² The Notice of Amendment included redacted copies of the amendment (Amendment) and a Certification of Compliance with 39 U.S.C. § 3633 (Certification) as attachments. Unredacted copies of these documents were also filed under seal. On December 13, 2017, the Commission filed Chairman's Information Request No. 1, which asked the Postal Service to confirm that Table 9 of the Amendment contains prices not reflected in the financial workpapers that were filed with the Commission in this docket.³ On December 18, 2017, the Postal Service responded by filing a revised notice along with unredacted financial workpapers and a certified statement under seal.⁴

On August 30, 2017, the Commission issued Order No. 4083 approving the addition of Priority Mail & First-Class Package Service Contract 52 to the competitive

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, December 13, 2017.

² USPS Notice of Amendment to Priority Mail & First-Class Package Service Contract 52, December 12, 2017 (Notice of Amendment).

³ Chairman's Information Request No. 1, December 13, 2017

⁴ USPS Response to Chairman's Information Request No. 1, December 18, 2017 at 1.

product list.⁵ In its analysis, the Commission found that the Contract met the requirements set forth in 39 U.S.C. § 3642 for classification as a competitive product. Order No. 4083 at 3-4. The Commission also found that the prices offered under the Contract satisfied the requirements of 39 U.S.C. § 3633. *Id.* at 4-5.

The Amendment changes the prices offered under the Contract as contemplated by the Contract's terms and will become effective two business days after the day on which the Commission issues all necessary regulatory approval. Amendment at 1.

II. COMMENTS

After reviewing the Postal Service's Notice of Amendment and the unredacted copies of the Amendment, Contract, Certification, and the supporting financial models that were filed under seal, the Public Representative finds that the amended Contract continues to meet the cost coverage and product list requirements set forth in 39 U.S.C. § 3633 and 39 U.S.C. § 3642, respectively.

39 U.S.C. § 3642. The Public Representative agrees with the Commission's earlier finding that the Contract satisfies the requirements for inclusion on the competitive product list. Order No. 4083 at 3-4. While the Amendment would change the prices offered under the Contract, it does not otherwise alter the services the Postal Service provides under it. Hence, the amended Contract is still a competitive product.

39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. The Public Representative agrees with the Commission's earlier finding that the Contract meets these requirements. *Id.* at 4-5. The Postal Service has certified that the amended Contract will continue to comply with these requirements. Certification at 1. After reviewing the financial models that were filed under seal, the Public Representative agrees that the prices offered under the amended Contract will continue to satisfy the

⁵ Docket Nos. MC2017-174 and CP2017-275, Order Adding Priority Mail & First-Class Package Service Contract 52 to the Competitive Product List, August 30, 2017 (Order No. 4083).

requirements of 39 U.S.C. § 3633 for the next year of the Contract. The Postal Service has not provided evidence that the Contract will continue to cover costs over its entire lifespan, which is set to terminate on August 30, 2020. This concern is mitigated partially by terms that link the prices offered under the Contract to the prevailing Priority Mail and First-Class Package Service prices of general applicability. Contract at 3. These terms should help facilitate cost coverage after the first year of the Contract. In addition, the Commission has the opportunity to conduct an annual compliance review in its Annual Compliance Determination.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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